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Turkey

Livestock and Products Annual

Turkey Livestock Annual Report 2018

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Report Highlights:

Turkey's imports of feeder cattle, slaughter cattle, breeding cattle, and meat increased in 2017 and are continuing in 2018. They are expected to plateau in 2019. In 2018, 900,000 head of cattle are expected to be imported and the cattle population is expected to reach 15.1 million head.

Livestock Annual Report 2018 – Republic of Turkey

Commodities:

Animal Numbers, Cattle

Production:

The cattle number estimate for **2019** is expected to be 15.8 million head which is only four percent higher than 2018 due to several factors. The main factor is the devaluation of the currency. Turkey's beef production system is largely reliant on fattening imported live cattle with imported feed in Turkey. The currency fluctuation and devaluation is difficult for importers, including the Turkish Milk and Meat Board (an affiliated body to the Turkish Ministry of Agriculture and Forestry), as they are importing cattle in dollars and selling on the local market in Turkish Lira (TL).

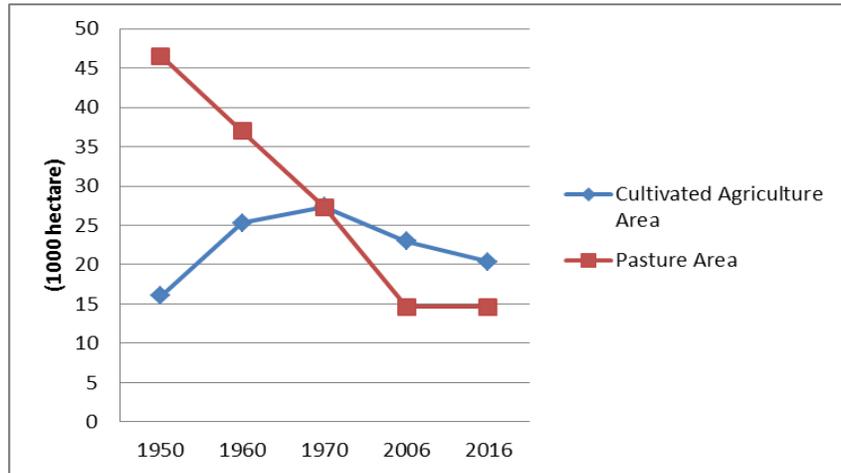
In 2018, the cattle population is expected to reach 15.1 million, which is 6 percent higher than the revised 2017 Post estimate of 14.2 million head. Turkish beef producers have reportedly delayed sending cattle to slaughter when possible when the carcass price was low relative to production costs. Turkey has been importing cattle with low carcass yields from South American countries, which impacted meat production.

The Ministry of Agriculture and Forestry has also been subsidizing the livestock sector (see policy discussion below), especially for improving calf health and production, in order to improve domestic production. However, from the perspective of dairy production, because of the low raw milk price in 2018, the population of dairy cattle has been decreasing. The raw milk base price is determined by the National Milk Council. This is the price which is paid by the milk processing industry to raw milk producers. The low raw milk price sparked a decrease in the dairy cattle population and fewer animals are available to replace the herds.

The Turkish livestock sector has been struggling with many serious problems for years. In the past, livestock production was spread out among village households with most having some cattle. The recent migration from rural areas to the cities has impacted the structure of livestock production, as now there are fewer entities producing beef, though there has been substantial recent investment in this sector. The other problems are the existence and popularity of local breeds with low efficiency, small-sized livestock farms struggling to manage high input prices, high feed prices, animal disease challenges, and the length of the marketing chain from producers to consumers. Additionally, high meat prices are an extremely sensitive topic in Turkey and are sometimes controlled by government interventions. In the recent past, the government has attempted to bring down prices by selling meat below market price through the Meat and Milk Board. Private sector meat producers are thereby constrained in being able to pass on the higher costs of production to consumers. The Turkish Ministry of Agriculture and Forestry (MinAF) has been working with the private sector and other ministries to identify solutions to these problems.

Grasslands and forage production are also a key issue impacting the sector. Since grasslands have not been protected nor have they been improved for years, roughage production has been declining and livestock producers have turned to compound feeds to fill the gap. Due to the low roughage production, it is not expected that production costs will decrease in the coming years.

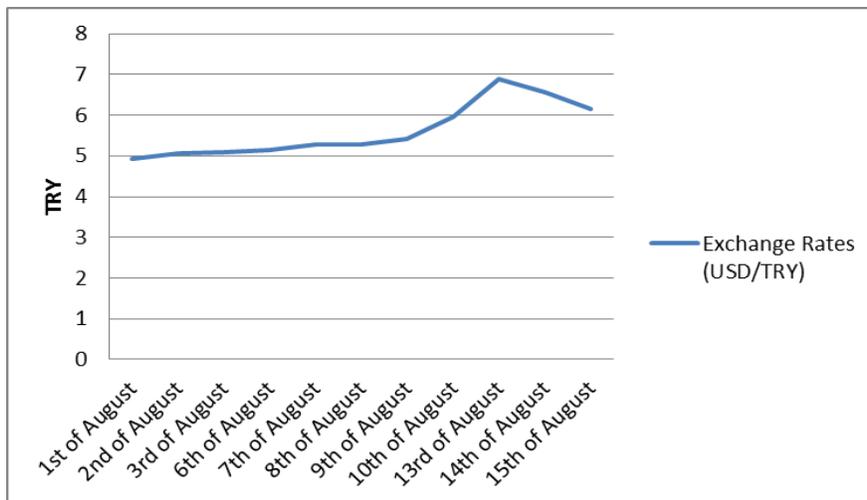
Chart 1. Agricultural Area Distribution by Year Comparison



Source: Turkish Statistical Institute (Turk Stat), 2018

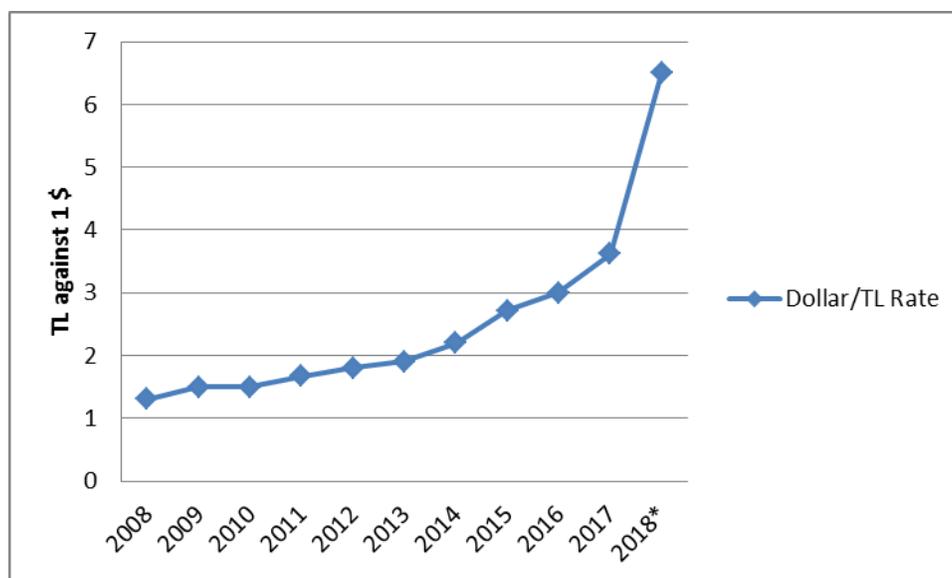
Because of the growth and structural changes in the livestock population, there is not enough feed production to meet the demand and the sector is dependent on imported raw feed material to supplement the feed materials produced domestically in Turkey. However, the devaluation in the Turkish lira (TL) (shown below in the Turkish lira-U.S. dollar exchange rate chart), as well as the barriers on imports of feed materials and unpredictable future foreign currency exchange rates are the main challenges for Turkish producers to obtain feed and feeder cattle at reasonable prices. Thus, profit margins have been gradually declining. Feed raw material prices increased by 40 percent since May 2018. The exchange rate was 3.74 TL to \$1 USD in January while the rate is 6.6 TL as of September, 2018.

Chart 2. August 2018 Exchange Rates (USD/TRY)



Source: Turkish Central Bank, 08/16/2018

Chart 3. The U.S. Dollar/TRY Rates, Comparison in Years



Source: Turkish Central Bank, 2018. *rate as of September 5, 2018

Turkey produced 25 million metric tons (MT) of feed in 2017 (including feed produced on farms) and 13 million MT of that was used for livestock production. Turkey imported about half of the feed raw materials used in the feed production. Imports in 2017 were about 12 million MT, and which were mainly soybeans, sunflower seed, corn products, and feed additives.

Turkey has 1.38 million registered cattle farms as of 2018, which is five percent lower when compared with last year, likely due to low margins and farmers’ dissatisfaction with subsidy levels. Also, there are 139 licensed livestock markets (where the animals are sold), and twenty of those are stock exchanges, with a more modern structure than other livestock markets.

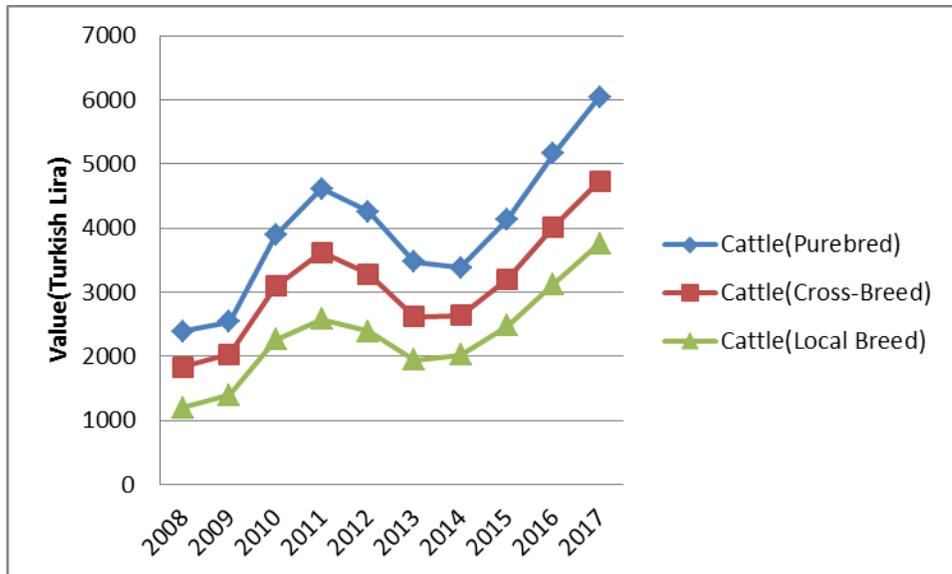
Small farms (with 1-4 head of cattle) are still dominant in Turkey and represent 60 percent of total farms. The breakdown by holding size of Turkish cattle farms are as follows:

Holding size according to number of bovine animals (head)	Percentage of Farms
1-4	59.7
5-9	21.3
10-19	12.8
20-49	5.4

Source: Turkish Statistical Institute (Turk Stat), 2018

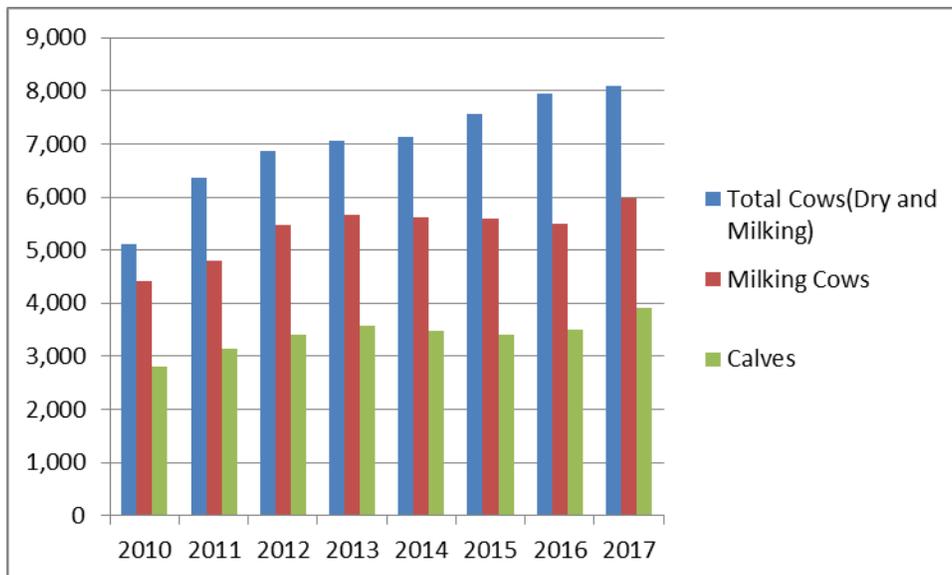
Live cattle prices in Turkey have been increasing since 2014, related to the exchange rate. Increased live cattle imports have also been driven by government programs to try to increase red meat production in Turkey by importing cattle.

Chart 4. Average Cattle (Beef and Dairy) Prices in Turkey



Source: Turkish Statistical Institute (Turk Stat), 2018

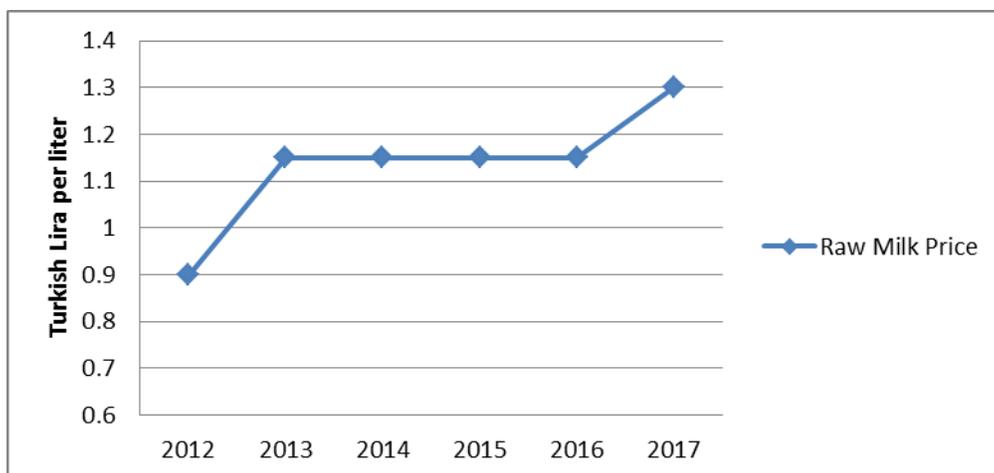
Chart 5. Dairy Cows/Calves Numbers in Turkey by Years



Source: Ministry of Agriculture and Forestry, 2018

The vast majority of cattle in Turkey are for milk production. The National Milk Council sets the raw milk base price and has been doing so since 2013. To take the higher production costs into account, they recently raised the price that farmers should be receiving for milk, but the increase is reportedly not considered high enough to cover increased costs. For these reasons, because feeding dairy animals is so expensive and meat prices are high, the sector has concerns that the dairy cattle population may decrease.

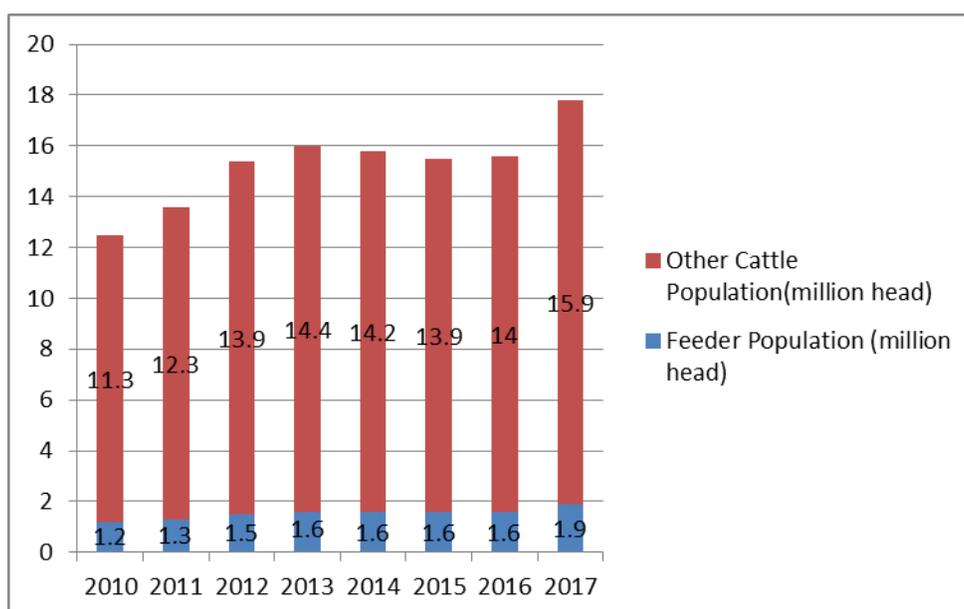
Chart 6. Raw Milk Prices set by the National Milk Council in Turkey



Source: Turkish National Milk Council, 2018

In Turkey, feeder cattle are aged between 12-24 months and are ready to be slaughtered after reaching 300kg. Turkish producers typically do not castrate their feeder cattle since they believe that customers prefer to consume lean meat.

Chart 7. Feeder Cattle Comparison with Other Cattle Population (million head)

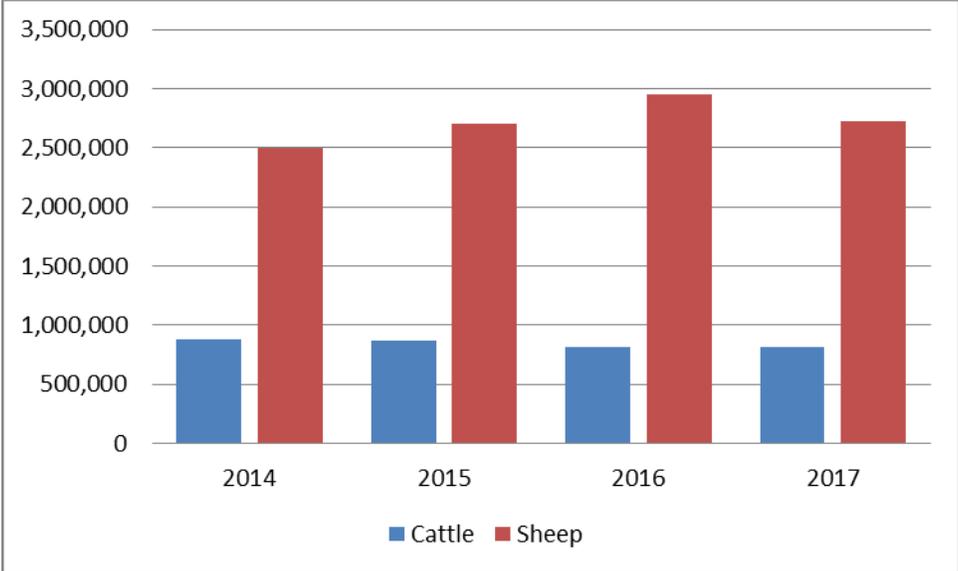


Source: Ministry of Agriculture and Forestry, 2018. Note: “Feeder Population” category is male cattle, up to 24 months under 300kg. “Other cattle Population” category includes female dairy and dual purpose breeds as well as beef breeding cattle.

Sacrifice Holiday: Turkey celebrated the sacrifice holiday from August 21-24, 2018. From the perspective of the Turkish Ministry of Agriculture and Forestry, there was a sufficient number of cattle and sheep available to be sacrificed and the selling prices of animals was only 10 percent higher than last year. Food inflation in Turkey recently was generally [over 12 percent](#), but has reached [19.75 percent in August 2018](#), so the price of animals for sacrifice was below inflation rates. The Minister

announced that there were 1.2 million head of cattle available for slaughter and around one million head of cattle was slaughtered. There were 2.7 million sheep slaughtered this year, see chart below for details of prior years.

Chart 8. Slaughtered Animals by Year During the Sacrifice Holiday in Turkey



Source: Turkish Agricultural Chambers, 2018

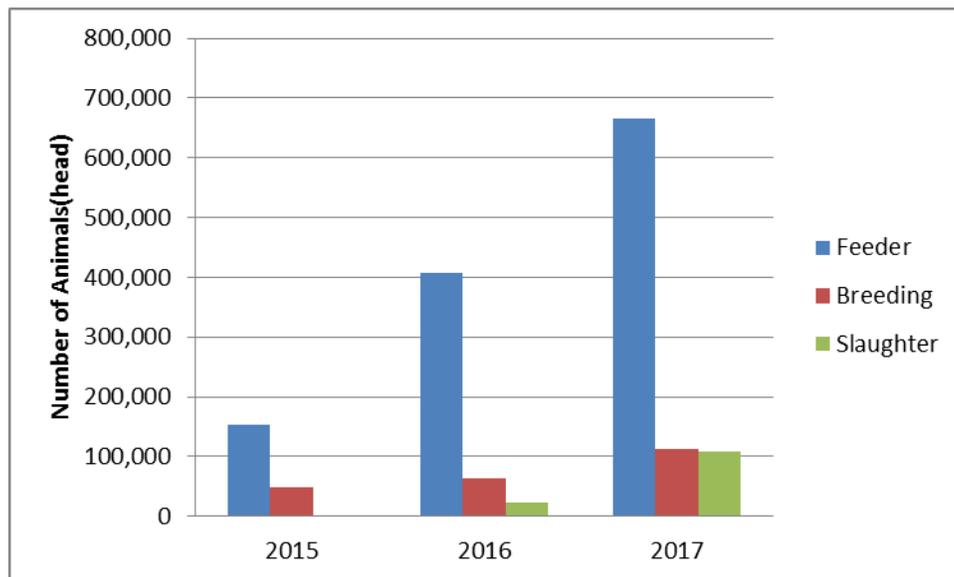
Trade:

The Turkish government, through the Milk and Meat Board (ESK) is the main importer of feeder cattle. Dairy cattle are generally imported by the private sector. Turkey will likely continue to need to import live cattle in order to maintain feeder cattle herds, so long as the structure of the industry remains the same.

In 2019, Post expects Turkey’s livestock imports will be slightly higher (five percent) than 2018, though much lower than in 2017, if the economic turbulence continues. The estimates for the future are difficult to predict because there is so much economic uncertainty.

So far **in 2018**, live cattle imports have reached 706,000 head from the January to June period and are expected to reach 900,000 head. This is lower than originally expected, so Post has reduced the estimate, due to the instability in the economy and uncertainty with the future of the exchange rate. Turkey imported 895,000 head of cattle valued at \$1.2 billion *in 2017*, which is 81 percent higher than *2016*.

Chart 9. Turkey Cattle Import Numbers by Category, 2015-2017



Source: Turkish Statistical Institute (Turk Stat), 2018. Note: “Breeding” category includes dairy cattle and beef breeding cattle.

As shown in the above chart, slaughtering cattle imports increased fourfold in 2017 by 96,493 head when compared with 2016. These imports were authorized by the government to reduce the high meat prices in Turkey. The slaughtering cattle import has continued in 2018, and as of June, 2018 it has already reached 52,000 head. The main suppliers are Spain, Hungary, and Czech Republic.

Brazil has increased cattle export value to Turkey by 96 percent in 2017, compared with 2016. The lower price in Brazil has driven importers’ preference for Brazil for feeder cattle.

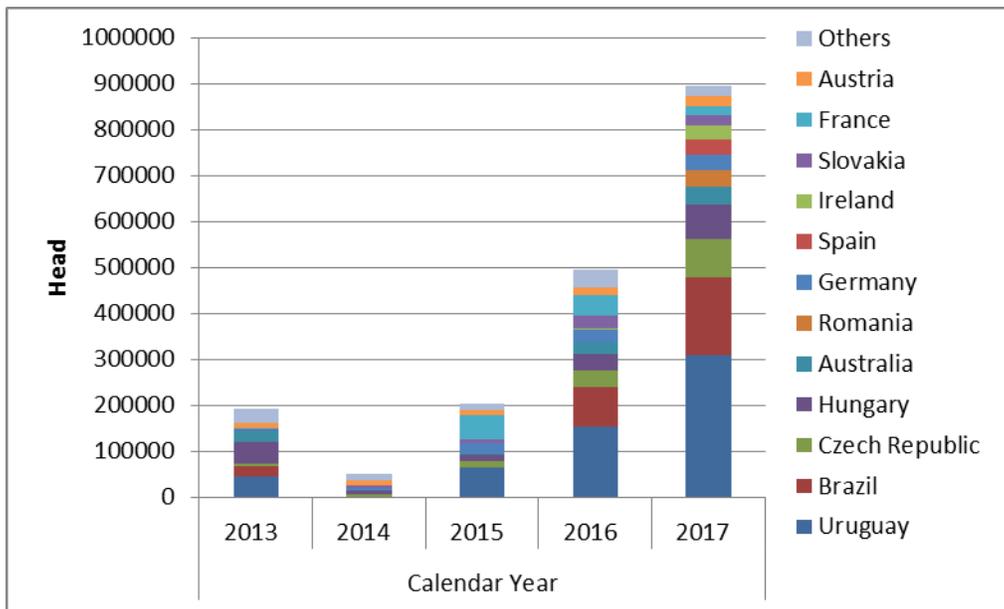
The beef breeds imported the most Turkey are crosses of beef breeds, Angus, Hereford, Limousine and Charolaise. With the increase of from Brazil however, Brahman and their crosses are now commonly farms, which used to be unusual in

Picture included shows Brahman from Brazil in a Turkish farm.



Turkish sourcing to mostly imports breeds seen in Turkey. cattle

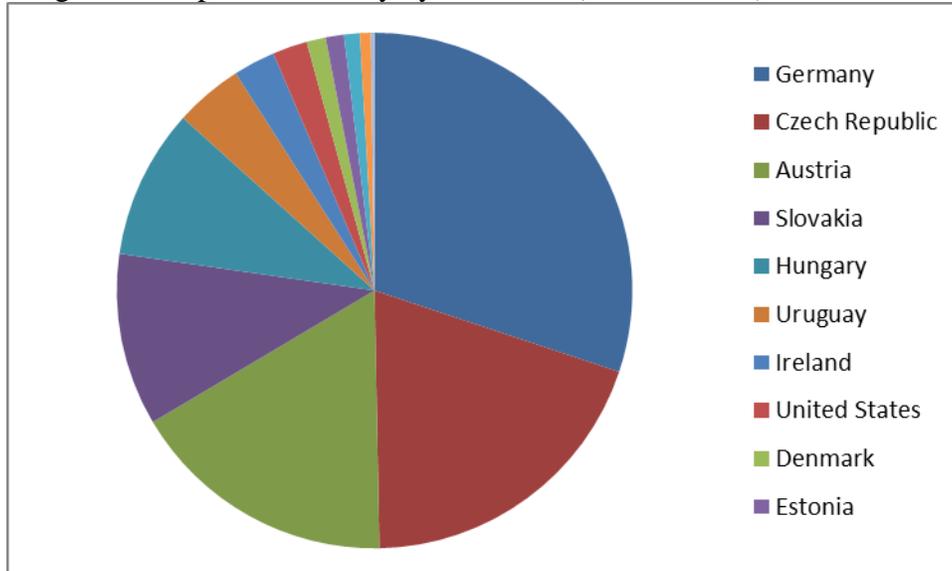
Chart 10. Total Imported Cattle (all types, by head) to Turkey by Country, 2013-2017



Source: Global Trade Atlas, 2018

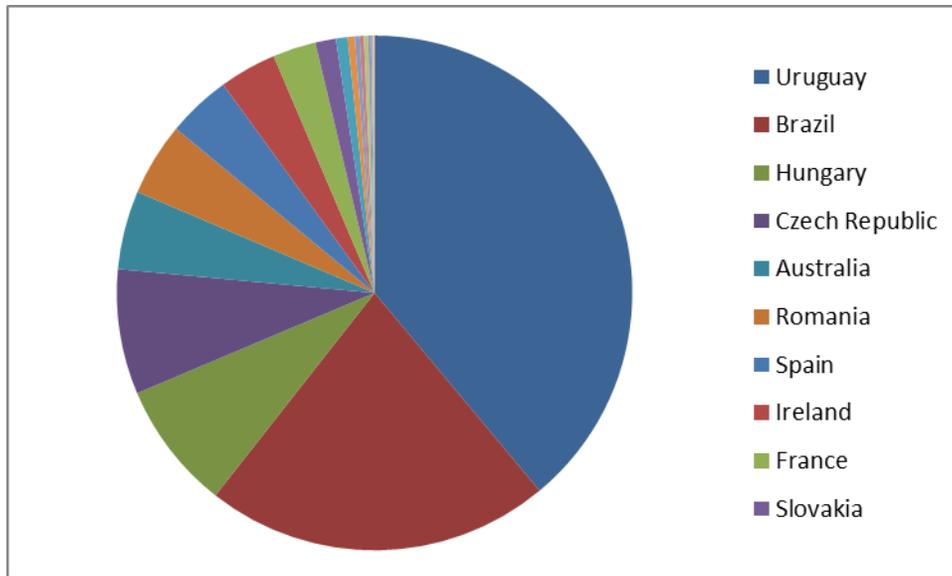
Turkey imports dairy breeding cattle mostly from Europe, especially Germany Turkey imports feeder cattle mostly from South America, especially from Uruguay.

Chart 11. Breeding Cattle Imports to Turkey by Countries (head of cattle), 2017



Source: Global Trade Atlas, 2018

Chart 12. Feeder Cattle Imports to Turkey by Country Breakdown (head of cattle), 2017



Source: Global Trade Atlas, 2018

With the recent Turkish devaluation, import contracts have reportedly to be canceled in some. This could lead to a shortage of cattle and may impact Turkish producers who rely on their businesses.

Uruguay beef cattle in a farm can be seen in the picture.

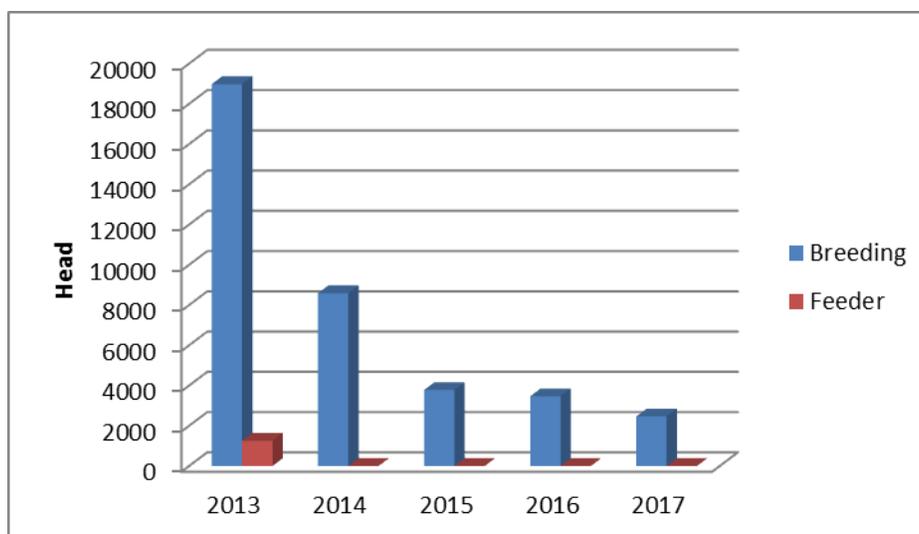


Lira devaluation has begun cases. This could impact Turkish producers who rely on their businesses. Turkey exports States

The United States' cattle to Turkey: The United

States has continued to export a small, but steady number of dairy breeding cattle to Turkey in the last few years, though not reaching the high numbers from five years ago, due to price competition from other suppliers. Relatively higher prices of U.S. breeding and feeder stock, partnered with a strong dollar, meant that the EU prices, and for feeder cattle, South American prices, were generally more preferred in recent years. However, Turkish producers are aware of the quality of U.S. beef and genetics, and the good reputation and health of U.S. dairy cattle and are closely following U.S. cattle prices.

Chart 13. Cattle Exports from the United States to Turkey, 2013-2017



Source: Turkish Statistical Institute (Turk Stat), 2018

Turkey imported 281,000 head of sheep from all countries in 2017, up from 5,000 head in 2016. This was due to a Turkish Ministry of Agriculture and Forestry program to distribute sheep to farmers within the scope of its agricultural support policy in order to improve meat production.

Policy:

At the beginning of 2018, the Turkish government granted zero customs tax for imports of feeder cattle for both the government-affiliated Milk and Meat Board (ESK) and the private sector.

Table 1. Turkey's Customs Taxes for all Countries for Cattle and Beef, 2017-2018

	2017		2018	
	For government	For private sector	For government	For private sector
Dairy Breeding Cattle	0%	0%	0%	0%
Feeder Cattle / Beef Breeding Cattle	0%	10%	0%	0%
Slaughtering Cattle	0%	26%	0%	26%
Carcass Meat	0%	40%	0%	40%
Beef	0%	40%	0%	40%

Source: Ministry of Economy, 2018

The Turkish government has also reduced customs taxes on imports of certain feeds. For more information please see the FAS GAIN report on Grain and Feed Update dated 7/13/2018 [here](#), and the FAS Turkey GAIN Oilseeds Update dated 6/19/2018 [here](#).

Turkey's livestock subsidies:

In May 2018, Turkey's Ministry of Agriculture and Forestry announced a decree regarding livestock subsidies. According to the decree, farmers will receive 350 TL in subsidies for calves that reach four months of age, and if calves are nationally registered in the studbook, then the subsidy is increased to 500 TL. For progeny-tested calves, farmers will be granted 50 TL more in subsidies. This subsidy policy is in place in order to reduce calf losses, which are thought to be one of the reasons for the decreasing herd population. Buffaloes are also under the subsidy program. For female buffaloes, 250 TL is paid per animal, if buffaloes are registered in the studbook the subsidy is increased to 400 TL. For feeder cattle, 250 TL is granted to farmers per male feeder cattle.

Production, Supply and Distribution Data:

Animal Numbers, Cattle Market Begin Year	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Total Cattle Beg. Stks	14222	14222	14500	15157	0	15847
Dairy Cows Beg. Stocks	5800	5800	6000	6000	0	6000
Beef Cows Beg. Stocks	2000	2000	2150	2150	0	2200
Production (Calf Crop)	3788	3700	3850	3900	0	4000
Total Imports	896	895	1150	900	0	950
Total Supply	18906	18817	19500	19957	0	20797
Total Exports	0	0	0	0	0	0
Cow Slaughter	350	350	350	400	0	400
Calf Slaughter	1300	1200	1250	1200	0	1200
Other Slaughter	2746	2100	3140	2500	0	3000
Total Slaughter	4396	3650	4740	4100	0	4600
Loss	10	10	10	10	0	10
Ending Inventories	14500	15157	14750	15847	0	16187
Total Distribution	18906	18817	19500	19957	0	20797
(1000 HEAD)						

Commodities:
Meat, Beef and Veal

Production:

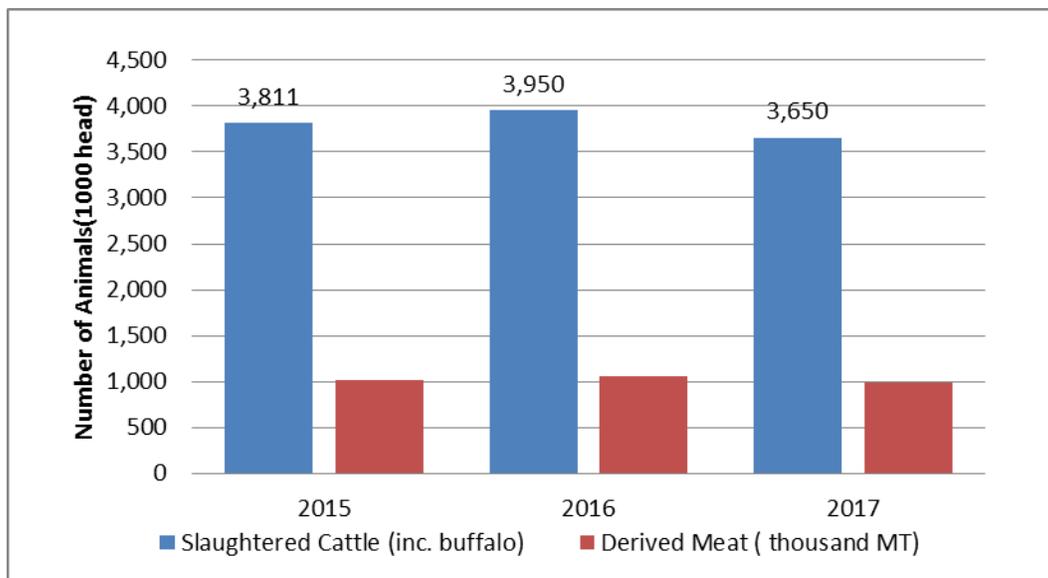
Post estimates that meat production will stagnate *in 2019* because of the exchange rate situation impacting feeder cattle imports in 2018.

Meat production increased in the first quarter of 2018, then dropped in the second quarter. According to the sector, **2018 production** will be similar to 2017. It is not expected to exceed 2016 meat production figures which reached 1.3 million MT.

Rising feed prices, driven by the devaluation in the Turkish currency and Turkey’s restrictive import policies, have led some smaller producers to slaughter animals or reduce their animals’ feed intake. As a result, according to press reports, there is a concern among producers that there will be a high rate of female animals slaughtered over the next year.

In 2017, meat production (including buffalo) was 988,821 MT, which is six percent lower than 2016. According to the sector, this decrease was due to the fact that the subsidy for feeder cattle ceased in 2017.

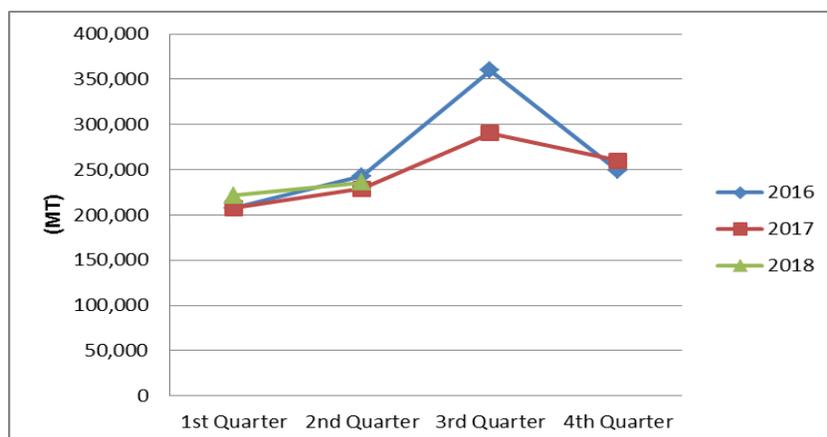
Chart 14. Slaughtered Animal and Derived Meat Comparison, 2015-2017



Source: Ministry of Agriculture and Forestry, 2018

The feeder cattle subsidy has been again included in the Ministry’s subsidy program for producers in 2018. However, cattle producers are reportedly concerned that the imported feed prices are so high due to the currency devaluation that the subsidy doesn’t cover the increased costs of production. Also the unstable economic situation is making it more difficult for producers to plan for future production.

Chart 15. Turkish Meat Production, 2016-2018 by Quarters (MT)



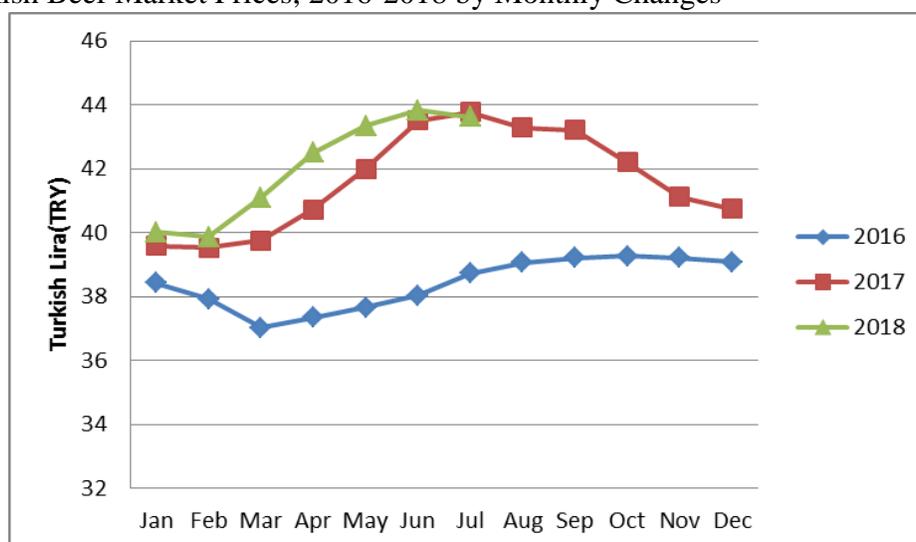
Source: Ministry of Agriculture and Forestry, 2018

Consumption:

Red meat consumption per capita is stable at 14 kg in 2017 and it is expected to remain relatively constant, assuming prices remain in line with inflation. Poultry is the more widely consumed animal protein in Turkey, at 24 kg annually and growing. There are no significant changes expected for red meat consumption in Turkey. Of red meat, beef represents 90 percent of the total consumption, with lamb being the remainder.

Besides high production and feed costs, other reasons for high red meat prices at markets are also the additional costs through the whole supply chain, such as higher transportation costs because of higher fuel prices. The retail price changes for meat are shown below.

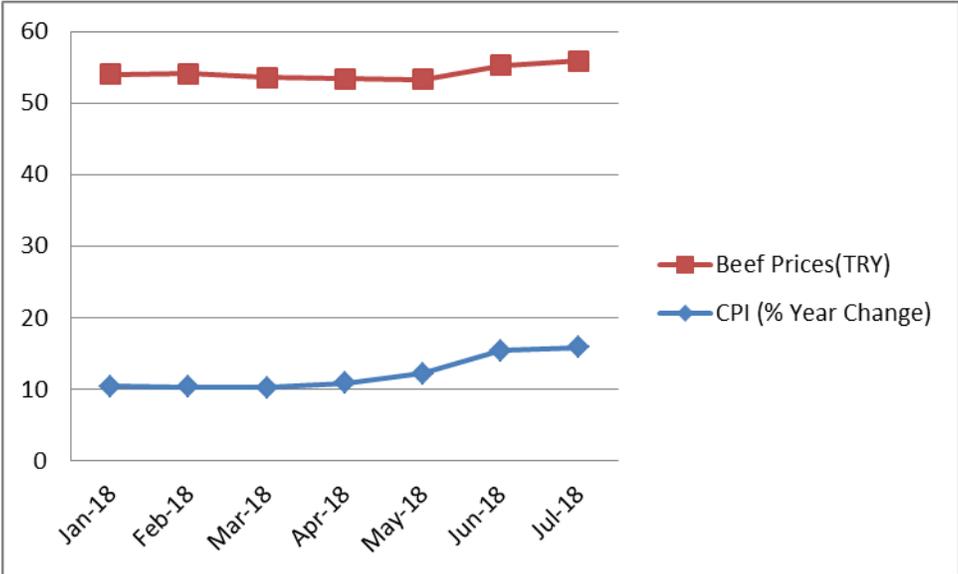
Chart 16. Turkish Beef Market Prices, 2016-2018 by Monthly Changes



Source: Turkish Statistical Institute (Turk Stat), August 2018. (Note: As of September 5, 2018, 1 \$= 6.6 TRY)

The annual variation rate of the Consumer Price Index for food in Turkey in July 2018 was 15.9 percent, slightly higher than the month before. Turkish Central Bank has announced that the main reason of the increase is the price of meat and bread.

Chart 17. CPI-Market Beef Prices, Monthly Comparison in 2018



Source: Turkish Central Bank, 2018

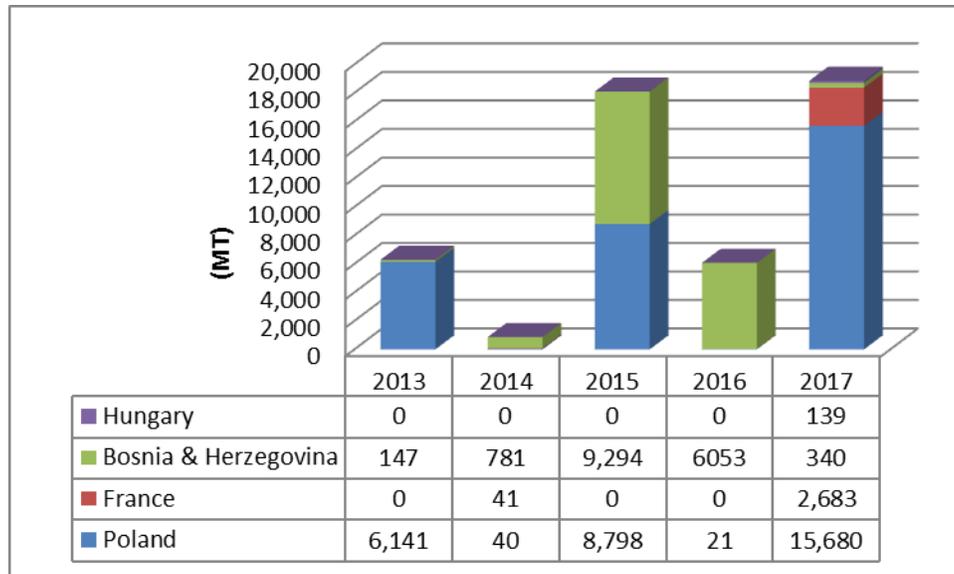
Trade:

Total beef imports *in 2019* are forecast to remain the same as in 2018. As of June 2018, Turkey imported 32,736 MT of beef and is forecast to reach a total of 50,000 MT *in 2018*. *In 2017*, Turkey imported 18,879 MT of beef worth \$85 million, which is 200 percent higher than 2016. Beef imports are considered as a measure to reduce beef prices in Turkey and the Meat and Milk Board (ESK) has been the only entity granted authorization to import beef.

According to ESK, the aim of importing beef is to maintain market stability, to prevent price fluctuations which hurt producers and consumers, and also to prevent market speculation. ESK also announced that beef will be imported only when a need in domestic markets arises. ESK also plays a role in buying and slaughtering animals from cattle producers and through their imports of meat they attempt to stabilize the beef market.

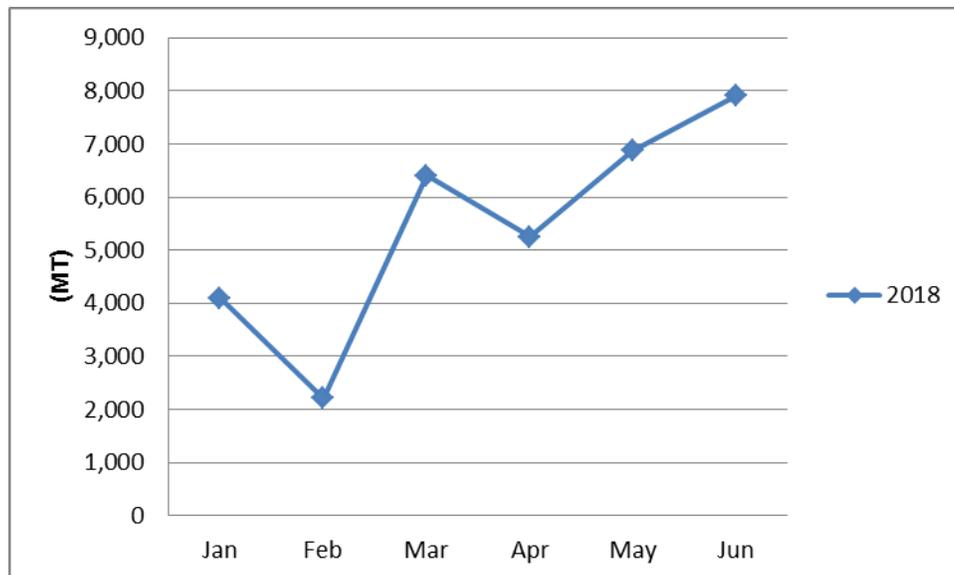
While Poland and Bosnia Herzegovina were the main beef suppliers for Turkey, this year Turkey also started to import beef from other European countries such as Hungary, Serbia, and France after the signing of new bilateral health certificates. The Ministry of Agriculture and Forestry authorizes the slaughterhouses in exporting countries before products can be exported to Turkey.

Chart 18. Turkey’s Meat Imports, 2013-2017 (MT)



Source: Global Trade Atlas, 2018

Chart 19. Turkey Beef Imports from all Countries, 2018 Monthly



Source: Global Trade Atlas, 2018. Note: includes carcass and boneless beef.

Production, Supply and Distribution Data:

Meat, Beef and Veal Market Begin Year	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Slaughter (Reference)	4396	3650	4740	4100	0	4600
Beginning Stocks	20	20	20	20	0	15
Production	1382	1399	1450	1400	0	1400
Total Imports	26	26	30	70	0	70
Total Supply	1428	1445	1500	1490	0	1485
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	1408	1425	1500	1475	0	1470
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1408	1425	1500	1475	0	1470
Ending Stocks	20	20	0	15	0	15
Total Distribution	1428	1445	1500	1490	0	1485
(1000 HEAD) ,(1000 MT CWE)						